

Petroleum and Gas (Production and Safety) Amendment Regulation (No. 2) 2015

Explanatory notes for SL 2015 No. 79

made under the

Petroleum and Gas (Production and Safety) Act 2004

General Outline

This regulation may be cited as the *Petroleum and Gas (Production and Safety) Amendment Regulation (No. 2) 2015*.

Authorising law

Sections 423 and 859 of the *Petroleum and Gas (Production and Safety) Act 2004* (P&G Act).

Policy objectives and the reasons for them

The objective of the amendment regulation is to recover Queensland's portion of the cost of funding the Australian Energy Market Commission (AEMC) National Gas Rules work program through the imposition of a levy on gas pipeline licence holders that are regulated under the national energy laws.

Achievement of policy objectives

Amendments to section 423 of the P&G Act in 2014 provided for a levy on covered gas pipeline licence holders to recover Queensland's contribution to the costs of the AEMC in relation to its gas-related work program.

This is considered the most appropriate method of recovering the gas related component of Queensland's AEMC payment from industry, as these entities are subject to the National Gas Rules, and therefore benefit most directly from these AEMC functions. They also have the widest reach of customers that benefit from the work of the AEMC and are administratively the simplest point at which to implement a levy.

The amendment regulation will support achievement of the policy objective by prescribing the detailed requirements for payment of the gas levy under the P&G Act. The approach is reasonable and appropriate as it will only recover the cost of the AEMC's national regulation functions relevant to its gas functions, and does not represent a revenue raising exercise.

Consistency with policy objectives of authorising law

The amendment regulation is consistent with the main objectives of the related provisions in the P&G Act which establish a framework to collect fees as a condition of holding a pipeline licence.

Inconsistency with policy objectives of other legislation

The amendment regulation is not inconsistent with policy objectives of any other legislation.

Benefits and costs of implementation

The amendments will be implemented by the Government from within existing resources.

Under the proposed increase, the total fee recovered from industry would increase by 1.65 per cent (from \$348,575 to \$354,316). The full cost of the fee will flow through to energy prices but the impact is expected to be extremely small at less than \$0.0014 cents per gigajoule, or less than 0.011 per cent of the current wholesale gas price for gas customers.

In the past 12 months, 153 kilometres of pipelines were declared uncovered. As a result, the per kilometre fee will increase by 13.33 per cent (from \$244.10 to \$276.81), due to the redistribution of the AEMC costs among the remaining covered pipelines. The APA Group is the holder of the two remaining covered pipelines (the pipelines from Wallumbilla to Brisbane and between Ballera and Mt Isa).

Best practice regulation principles state that it is more efficient and fair to fund regulation through collecting monies from the sector of the community that benefits, rather than through general taxation. This amendment is consistent with these principles, recovering the cost of national regulation from the energy industry and its customers,

Consistency with fundamental legislative principles

The amendment regulation has been drafted having regard to the Fundamental Legislative Principles (FLPs) outlined in the *Legislative Standards Act 1992* and there are no matters that are inconsistent with the FLPs.

Consultation

Consultation was undertaken with key government agencies and with key affected stakeholders about the policy objectives of both the levy to recover Queensland's funding for the AEMC prior to introduction of the levy.

The Office of Best Practice Regulation has been consulted regarding the need for a Regulatory Impact Statement (RIS) and confirmed a RIS is not necessary.

The Department of Natural Resources and Mines was also consulted during development of the proposed increase of the fee.

No objections were raised by these agencies.